Testimony
Of
Dale Artho
House Agriculture Committee Hearing
May 9, 2006
San Angelo, Texas

Mr. Chairman, members of the House Agriculture Committee, welcome to Texas, and I thank you for this opportunity to testify. The gravity and weight of today's hearing on the future of my business does not escape me. Your leadership and jurisdiction to represent the interest of U.S. agriculture in the federal government will be critical as to whether I and many of my fellow producers will survive.

The federal government is under tremendous pressures to balance the federal budget, and I understand that Agriculture Committee members are being urged to consider deep cuts to domestic agriculture support to help the Administration balance its budget. As a sorghum producer in rural Texas, at times it seems that agriculture is an industry that is being singled out by those with little understanding of how agriculture contributes to the stability of this nation. I ask that you do not balance the budget on the backs of rural America. My neighbors and I read and hear reports regarding the federal government's involvement in many other industries that are important to the economy. If Congress is to significantly reform farm policy under the guise of budget cuts, I ask that the package moves ahead as a government and industry wide effort. I ask that you do not put the agricultural industry in a competitively disadvantaged position in our domestic or global economy. I hope that you consider agriculture's impact on the counties like mine that are truly agriculture dependent.

Your jurisdiction is agriculture, your leadership drives the policy-making for America's economic health and the nation's food and natural resource national security. You understand the economic impact of regulations developed by other House Committees and placed upon agriculture and how they affect agriculture's ability to compete in a global economy. Not only are you our champions to Congress, but you are also

champions for all Americans who need to meet their needs for food, energy and clothing.

I am a partner in Dale & Kathy Artho Farms which operates in Deaf Smith, Randall and Oldham Counties of the Texas Panhandle. Our farming operation consists of 4200 acres of farmland of which one-third is irrigated and two-thirds is non-irrigated. Historical crop production background includes sorghum for grain and forage, forage sorghum seed production, corn, cotton, wheat, sugar beets, soybeans and dry edible beans. In conjunction, we integrate animal husbandry into our farm operation with 1300 acres of native grass on which we background approximately 600 head of steers with origins from Mexico. These cattle are then placed in area feedlots under retained ownership for the fat cattle market or sold and marketed as feeders. We also operate a 3000-acre custom farming operation that is targeted to the production of forage for cattle. Due to our geographical location and agronomic capabilities, we are equivalent to a typical 2500 acre Midwest operation.

While the agricultural industry is dynamic and there are numerous issues I would like to discuss, I want to focus my testimony on the Commodity Title, the Conservation Title, and the Energy Title. But first, I think it is necessary to discuss the current state of the industry competitiveness in agriculture, the world agricultural trade situation, and the stability that the 2002 Farm Bill has provided to me during this time of increasing costs.

Background of the Competitiveness of Agriculture

I think it is important to point out to Committee members that many agriculture-producers view our efforts to provide a safe-abundant food and fiber supply for this nation as a partnership with the federal government and that the 2002 farm bill represents the good will and good work of that partnership.

I would like to salute you and the previous statesmen of this nation whose guidance and forethought allowed the United States to develop the most dynamic and diverse economy in the world. We should not forget that agriculture was the primary tool used by these

statesmen to create a partnership that allowed for the development of the various segments of our economy like commerce, transportation, and educational systems. Our economic system has promoted an agricultural system so abundant that the U.S. has not had a famine in recent history. At times, I feel that the system that has provided a safe food supply and the commitment needed to keep it in place is taken for granted by many of those not involved in the agriculture and food industry.

In addition, I ask members of the Agriculture Committee to keep in mind additional costs to my farming business such as the cost of complying with federal and state environmental regulations, funding workmen's compensation, and supporting a local school system and hospital district. Also, my neighbors and I feel that U.S. agriculture is often used as a bargaining tool in promoting global stability. Efforts to liberalize world trading rules through the WTO do not look to lighten this load. All together, these put my farming operation and the U.S. agriculture industry at a significant competitive disadvantage to countries with lower taxes, fewer environmental and labor regulations and higher tariffs for U.S. products. Speaking for myself, I am happy to share my portion of those costs, up to the point that it puts me out of business, and I don't think anyone here wants those costs to make U.S. agriculture less competitive.

Trade Comments

I serve on the Cotton, Tobacco, Peanuts and Planting Seeds Agricultural Technical Advisory Committee for Trade. In that capacity, I have been involved in three of the past four Ministerial meetings to rewrite trade rules. I also serve as an officer of the U.S. Grains Council, which is the foreign market development arm for sorghum, corn, and barley. I have had the unique opportunity to meet producers on a one-on-one basis around the world. This has lead to many discussions on the benefits and consequences of agriculture and trade.

In the WTO Doha Round negotiations, the U.S. has offered to cut domestic support by 60% in return for greater market access around the world. The U.S. must secure

significant market access in return for the support of U.S. agriculture industry. U.S. producers must receive meaningful market access, if we are to be asked to give up 60% of our domestic safety net. Our negotiations need to concentrate on significant cuts to the Bound Rates for tariffs to open new markets, since WTO rules mandate that cuts to tariffs be figured from the Bound Rate. In addition, there must be an agreement among WTO participants to abide by the new rules of the agreement and if a country is abiding by the rules, it would not be challenged in WTO court.

After meeting with farmers around the world, I understand the difficulties that trade negotiators have with wrapping up the Doha Round. For example, India limits the size of its farms. The following chart shows the acreage limits:

	Irrigated with two crops	**Irrigated with one crop**	**Dry land**
Suggested in National Guidelines of 1972	4.05 to 7.28	10.93	21.85

This makes it difficult for the Indian farmer to compete in the world market, and the Indian government supports keeping sustainable farmers on the land. This makes it difficult for the Indian government to open markets. For example, the U.S. sorghum industry has spent the past two years trying to export sorghum to India, only for it to be rejected for phyto-sanitary reasons.

In my meetings with South African farmers, government efforts to reform land ownership has caused significant indecisiveness about investing in the livestock and poultry

industries but farmers believe that South Africa will become the point of insertion for technology to the African continent.

The 500-pound gorilla in all of the farm production talks seems to be Brazil. The Brazilian government has made a commitment to be energy self-sufficient by producing ethanol from sugarcane. Biodiesel development will be the next energy production frontier to be pursued in Brazil, because soybean farmers can make more money producing for the domestic fuel market.

Finally, because China operates under a centrally planned economy, it is easier for financial resources to be allocated to increase the production of protein for the local diet. The Chinese government and agriculture officials left me with the impression that they will do everything in their power to enhance their domestic production capabilities with limited desire to import products to feed their growing populations. One advantage that their farmers will have over U.S and international competition is the lack of environmental rules and regulations.

Current Agricultural Program

I feel that the 2002 farm bill is truly a unique farm bill. It is designed, and works as is designed, to be responsible and accountable to both taxpayers and agriculture sectors through the use of market signals. My neighboring farmers and I consider this an incredible strategic and cheap investment for the consumers of this nation, because it provides a safe, abundant, affordable food supply at a cost of less than 1% of the federal budget. While at the same time, it provides stability to our nation's farmers, ranchers, bankers, and agriculture-dependent communities.

Because of the previously mentioned facts, I ask that you give serious consideration to extending current farm laws to provide stability to our rural communities, rural bankers, producers and consumers, especially if we do not have a WTO agreement. Current world

events, such as Iraq and the instability in Iran, are having an impact on the world and domestic economy and are contributing to increasing costs of our inputs.

The current farm bill provides an essential safety net against the uncertainty of an economy that is more and more impacted by world events, provides the flexibility to plant for the marketplace, and recognizes that corn and sorghum are equal starch substitutes by equalizing the sorghum loan rate with corn. Many of my fellow producers and I want that concept continued in any new farm legislation. Also, becoming increasingly important to the farm economy is the renewable fuel capability of sorghum and other commodities. The Energy Policy Act of 2005 includes a Renewable Fuels Standard that doubles the use of ethanol and biodiesel by 2012. This will increase the market-driven fuel demand for grain starches, vegetable oils, and forages for biomass, which should translate into an increase in the local prices of our products.

I would encourage the Committee to include a strong Energy Title that supports research and development to increase the role of agricultural products in renewable fuels; provides adequate funding for conservation programs, especially programs that recognize sorghum's water-sipping characteristics; provides for a crop insurance program that is free of fraud and recognizes sorghum's water-sipping qualities; provides for efficient delivery of farm programs by USDA; extends CRP; and continues programs that promotes the exports of U.S. agricultural products.

In addition, we feel that the agriculture economy could be improved by creating a permanent disaster contingency plan that would provide funding for natural disasters around the country. Also, the industry could benefit through expanding rail capacity in anticipation of increased ethanol transportation bottlenecks, and upgrading the transportation system of the Mississippi River.

Title I - Commodity Title

We support a commodity title that is based upon direct, loan and counter-cyclical payments. If a WTO agreement requires a change to our farm programs, the direct payments and loan rates are most important to my farm safety net. In my area of the country, direct payments are significant since we would receive a payment if we had a crop failure. As you know, crop failures in Panhandle of Texas happen fairly regularly. If WTO does require the scaling back of domestic support, we would ask that the Committee preserve the current relation in farm program payments and payment rates for feed grains.

In preparation for the reauthorizing of farm laws, there has been a lot of discussion about what a Green Box farm proposal would look like and how it would operate. This task has been more difficult than we anticipated since the program cannot be based on price or production. Because of that fact, we ask that any new programs that may be developed or discussed to replace the current Commodity Title be thoroughly vetted with the agriculture industry after we fully understand any potential WTO agreement.

If revenue assurance becomes part of serious policy debate, then it will be important for Members of the Agriculture Committee to understand that drought can impact the baseline period for certain regions like mine. Seventy percent of a zero yield is still zero revenue - no matter how high the price. This method of delivering farm benefits is not "bankable" to my lender.

Title II - Conservation

Sorghum has been called a “water-sipping” rather than “water-guzzling” crop. University studies have compared water savings through alternative cropping patterns and the use of crops that require less water, such as grain sorghum. A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. That’s on average, 147,200 acre-feet saved per year. An acre-foot of

water equals 325.850 gallons—roughly enough to supply two, four-person homes with water for a year. On average, water saved over 50 years in these 21 Texas Panhandle counties alone would amount to 147,200 acre-feet per year—enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 656,562, according to the U.S. Census Bureau's 2000 census.

Taking this to a wider scope, economic impact from water savings on irrigated higher water use acreage converted to grain sorghum could be astounding when looking at total irrigated plantings in Kansas, Nebraska and Texas combined. These numbers do not take into account the potential savings in other inputs, such as less pesticides and fertilizer use.

From a conservation standpoint, the question is simple: How can a limited resource, like water, be most efficiently used? The number one priority of any farm bill should be to promote policies that result in less water being used. I would also be supportive of a credit program that encourages producers to capture rainwater for the recharge of aquifers.

Title IX –Energy

Sorghum can, and does, play an important role as a feedstock in the renewable fuels industry. The sorghum industry fully supports the President's call to replace 75% of our imported petroleum products with domestic energy sources, like ethanol, by 2025. The sorghum industry believes that the federal government should provide significant research resources, as stated by the President, to the development of cutting-edge methodology for producing renewable biofuels. These technologies must be both economically competitive and feasible in order to meet the stated goal of reducing our "addiction" to fossil fuel by 2025.

The sorghum industry encourages the Agriculture Committees of both the House and Senate to present bold energy concepts and ideas when it re-authorizes the Energy Title of our nation's farm laws.

Background on Sorghum in the Ethanol industry

Currently, 15% of the grain sorghum crop is used by the ethanol industry to make ethanol. That production provides a source of both ethanol and jobs outside of the traditional Corn Belt. Ethanol processing plants routinely mix corn and sorghum together in the production of ethanol. Expanding ethanol production outside of the traditional Corn Belt is a priority for the sorghum industry. Sorghum producers are working to expand their role in the renewable fuels industry.

Sorghum is an extremely versatile crop that evolved in a wide range of diverse environments in Africa. It can thrive in such extremes as flooded farm lands to land impacted by severe drought and, in fact, is one of the most drought tolerant crops currently grown in the United States. The crop is used worldwide in food production, building material, animal feeds, industrial products, and in biofuels.

Biofuels production in the United States has been fairly limited to the use of grain for production of ethanol. Research efforts within the United States have focused on improving efficiencies of the use of grains through optimization of enzyme technologies and feedstock improvements. Worldwide, sugar to ethanol has been the predominant source of ethanol production in countries such as Brazil and India. In fact, 61% of the total world production of ethanol is sugar-based, from crops such as sugarcane, sugar beets, and sweet sorghum. Brazil has said publicly that it will be self-sufficient in its energy needs based on their production of ethanol. The USDA and the Department of Energy have been investigating the use of biomass for production of biofuels. That research should translate into any crop that produces high biomass yields.

Sorghum has a unique role in bioenergy since it can and does fit into all three schemes for production of biofuels: grain, sugar-based, and biomass feed stocks. Hybrid grain sorghum is routinely used as a grain feedstock in the U.S., sweet sorghum is used widely as a sugar feedstock in India, and the potential to produce high tonnage biomass from sorghum silages is well documented in our forage industry in the U.S.

Starch to Ethanol Production

In the U.S., almost all of the current ethanol production is based on starch conversion, using primarily corn and sorghum grain, to produce ethanol. To the ethanol production process, starch is starch; it does not matter if the starch comes from corn or sorghum. Both starch sources yield identical amounts of ethanol from a bushel, and the distiller's grain has almost identical nutritional value when it is fed to livestock.

Ethanol production from a starch-based commodity, like corn and sorghum, will always play a vital role in our renewable fuels supply. Sorghum producers believe that the ethanol industry will need to utilize all of the technologies currently available, grain based and sugar based, and some in the development stage, like cellulosic technology, to reach the goal of replacing 75% of imported oil by 2025. We use approximately 400 million gallons of gasoline per day, which translates into approximately 146 billion gallons annually. If the U.S. were to rely totally on a starch-based conversion from grains, production of feedstocks would have to increase from 11.5 billion bushels in 2005 to almost 55 billion bushels. Last year, 11.5 billion bushels came from 87 million planted acres, so this would require an additional 391 million acres of production to meet this goal. That is a four-fold increase in feed grain acres.

Sugar-Based Conversion to Ethanol

Brazil has become self-sufficient in ethanol through its use of sugarcane as a sugar feedstock. France has been producing sugar beets for use in conversion to ethanol. An

additional world and U.S. player as a sugar-based feedstock for ethanol production is sweet sorghum.

Most Americans know of sweet sorghum as the type that is used to make syrup or molasses. In addition, it is also used worldwide in the production of ethanol. India is producing ethanol from sweet sorghum. South American countries that have limited or no fossil fuels and cannot raise sugarcane are making serious efforts to utilize sweet sorghum to produce ethanol. Southern Africa and several states in the U.S. are exploring the potential of sweet sorghums as a sugar feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill, similar to sugarcane. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue, called bagasse, in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from starch sources.

Very little sugar from sweet sorghum, sugar beets, or sugarcane is used in the U.S. as a feedstock for a renewable fuel. Sweet sorghum would complement both sugarcane and sugar beets as a feedstock in a renewable fuels plant. In comparison to sugarcane, sweet sorghum has similar sugar content (9-11% for sweet sorghum, 12-14% for sugarcane, 15-20% for sugar beets). Sugarcane takes approximately 11 months to mature to harvest, while sweet sorghums take 90-120 days and can be harvested multiple times throughout the year. Since sweet sorghum's production cycles are on a different timeline than sugarcane, it would be available as a feedstock to an ethanol plant until its supply of sugarcane comes online.

Research data from India shows the production yields of ethanol from sugarcane and sweet sorghum as almost identical. Production figures estimate roughly 1,150 gallons of ethanol per acre from either crop. In order to produce enough renewable energy replace

our need for fossil fuels, 131 million acres of sugar production would be needed. That would be a 70–fold increase from the current production of 2 million acres of sugarcane and sugar beets and 25,000 to 30,000 sweet sorghum acres produced in the southeastern U.S.

Forage Sorghums Role in Biomass

Forage sorghums can play a significant role in both cellulosic and lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down most of the plant's major biological components to produce ethanol. In most cases, tons per acre of convertible biomass would drive the feedstock equation in the conversion to ethanol.

The federal government has been conducting research on the role of switchgrass in biomass production. Switchgrass and sorghum are both from the family Poaceae and probably diverged from each other sometime before the divergence between sorghum and corn. Switchgrass is a perennial plant that can spread by both seed and rhizomes. Though sorghum is thought to be primarily an annual plant, there are related species that are also rhizomatous and perennial. Both plants have open panicles and can be tall and very leafy. Both plants, grown under ideal conditions, can produce tremendous amounts of tonnage on a per acre basis with limited water, herbicide, insecticide, and fertilizer needs.

From cellulosic research estimates, production of ethanol from biomass is estimated to be approximately 1,500 gallons per acre. This would require 106 million acres. Lignocellulosic conversion of biomass to ethanol is estimated to produce approximately 1,800 gallons per acre. This would require 89 million acres to supply the feedstock.

Closing Thoughts

Finally, I would like to address some of the arguments that the media and groups inside the Beltway have been using against farmers and farm programs. I think they don't

understand the impact of their arguments on my generation of farmers and on the agriculture industry. For example, high land values are not preventing younger farmers from entering the industry. Rather, it is a lack of profit preventing a positive cash flow that deters them. I have a 27-year-old son with a degree in agronomy whom I am not encouraging to enter into agriculture because of the increased price risk and increasing costs to produce a crop. Farm payments help manage that risk, but my business remains high-risk with low margins.

Also, I am not sure that policy makers appreciate that I have been working all my life to fund my retirement plan, which is my land, not a 401K. Significantly changing farm policy to impact the price of land has a significant impact on my retirement plans and future security. I feel it is unfair to change the rules of the farm retirement plan when I, and so many of the nation's farmers, are so close to relying on that retirement plan. In addition, all of our local school and health districts are supported by taxes paid based on the price of that land. Who is going to educate my grandchildren and take care of my parents and me if there is not tax base in rural America? On a related matter, I believe that farm spending has contributed to a strong agriculture economy and slashing agriculture's portion of the budget will hurt our farm economy.

Finally, I oppose any further reduction in the payment limit levels provided under the current farm bill. If payment limits are effective, why have the number of farmers decreased? I also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. Payment limits have the negative effect of hurting commercially viable family farms the most when crop prices are the lowest and support is the most critical. It is essential that Texas producers maintain eligibility for all production to the non-recourse loan program. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for Texas farms across the Sunbelt.

Thank you for your interest in traveling to Texas for this farm bill hearing, and I appreciate the opportunity to be here.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Dale Artho

Address: 4674 Co Rd 28 Wildorado, TX 79098

Telephone: 806-426-3374

Organization you represent (if any): _____

_____

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source:_____ **Amount:**_____

Source:_____ **Amount:**_____

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:**

Source:_____ **Amount:**_____

Source:_____ **Amount:**_____

Please check here if this form is NOT applicable to you: ✓

Signature: /s/ Dale Artho

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Dale Artho
4674 Co Rd 28
Wildorado, TX 79098
806-426-3374

Background

- West Texas State University – Attended (1971-1972) and Majored in General Agriculture
- Amarillo College – Attended Language Classes

Farm Operation or Business Responsibilities

Dale and Kathy Artho Farms operating in Deaf Smith, Oldham and Randall counties of the Texas Panhandle. Our operation includes approximately 2000 acres of irrigated farmland, 2800 acres of dryland, 2000 acres of native pastures, and approximately 3000 acres of custom farming. Artho Farms crop production history includes grain sorghum, forage sorghum seed, forage sorghum hay and silage, corn for grain and silage, wheat, barley, soybeans, cotton, sugar beets, vegetables and beef cattle.

Involvement and Leadership Experience

- *USGC*: Elected to office of Secretary (2005), Represents the Sorghum Sector to the Board of Directors (2003-2005), Chair of the Coordinating Committee (2005), Executive Committee, Leadership Group, Funding Task Force, Trade Policy Coordinating Committee and Structure Task Force. Past Chair of the Sorghum Intensive Committee. Officers Mission to India, South Africa and Brazil (2006). NGO Delegate to the 7th Ministerial Conference Hong Kong (2005), 5th WTO Ministerial Conference Cancun (2003) and to the 3rd WTO Ministerial Conference Seattle (2000); Humanitarian & Educational Mission to Cuba (1999); Sorghum Promotion Mission to Mexico (1999); Pioneer Fellow Trade Mission to Argentina and Brazil (1997); Pioneer Fellow Trade Mission to Vietnam, Indonesia and Malaysia (1994).

- Agricultural Technical Advisory Committee (ATAC): Advise the U.S. Trade Representative on International Trade Matters Impacting Grain, Oilseeds and Fiber Producers (2001-2003); Tobacco, Cotton, Peanuts and Planting Seed ATAC (2003-2006).

- National Sorghum Producers (NSP): Board of Directors (2006),Vice President Foreign Market Development (2000-2006); Vice President Domestic Market Development (1996-2000); Executive Committee (1996-2006).

- Texas Grain Sorghum Producers (TGSP): TGSP Chairman (2002-2006); TGSP Secretary Treasurer (1998-2002); Director on the Board (1993-2006).

- Farm Service Agency: Deaf Smith County Committee (1992-2004).

- Wildorado Independent School District: Member of Board of Trustees and Representative to the Texas Association of School Board Grass Roots Legislative Committee (1983-2001).

- Hi Plains Industries Cooperative: Director on the Board (1978-1995).